

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1075 - SB 1052**

March 23, 2015

**SUMMARY OF BILL:** Defines “transport-network company (TNC)” as an organization, but not limited to, a corporation, limited liability company, partnership, sole proprietor, or any other entity operating in this state that provides prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using a personal vehicle. Defines “TNC insurance” as an insurance policy that specifically covers a driver’s use of a vehicle in connection with a TNC’s online-enabled application or platform. Defines “driver” as any person who uses a vehicle in connection with a TNC’s online-enabled application or platform to connect with passengers.

Requires a TNC to disclose in writing to drivers, the insurance coverage and limits of liability that the TNC provides while the driver uses a vehicle in connection with a TNC’s online enabled application or platform, and is required to advise a driver in writing that the driver’s personal automobile insurance policy may not provide any required or optional coverage while the driver uses a vehicle in connection with a TNC’s online-enabled application or platform.

Requires a TNC, any driver, or a combination of both to maintain TNC insurance from the moment a driver accepts a ride request on the TNC’s online-enabled application platform until the driver completes the transaction or the ride is complete, whichever is later.

TNC insurance must provide:

- Primary liability coverage of \$1,000,000 for death or bodily injury, and property damage; and
- Uninsured motorist coverage and underinsured motorist coverage of \$1,000,000; and
- Collision physical damage coverage and comprehensive physical damage coverage if the driver carries those coverages on their personal automobile insurance unless the insurer is providing TNC insurance to the driver.

The following TNC insurance requirements shall apply while the driver is logged on to the TNC’s online-enabled application, but not between the beginning and end of a passenger transaction:

- Primary liability coverage in the amount of at least \$50,000 for death and bodily injury per person; \$100,000 for death and bodily injury per incident; and \$25,000 for property damage.

- Collision physical damage coverage and comprehensive physical damage coverage if the driver carries those coverages on their personal automobile insurance policy, unless the insurer providing the personal automobile insurance policy is also providing TNC insurance to the driver or any combination of TNC insurance maintained by the driver and TNC; however, a TNC that obtains the policy of the driver and confirms the policy covers the driver's use of a vehicle in connection with a TNC's online-enabled application or platform and confirms that the driver continuously maintains the policy.

Requires any insurer, having provided TNC insurance to an individual, to defend and indemnify such insured. Coverage under a TNC insurance policy shall not be dependent on a personal automobile insurance policy first denying a claim nor shall a personal automobile insurance policy be required to first deny a claim. In every instance in which a TNC insurance policy that is maintained by a driver to fulfill the insurance obligations has lapsed or ceased to exist, the TNC shall provide coverage required by this section beginning with the first dollar of a claim.

From the moment a driver logs on to a TNC's online-enabled application or platform until the driver logs off such application or platform or until the ride is complete, whichever is later, the following applies:

- The driver of the vehicle owner's personal automobile insurance policy shall not provide any coverage to the driver, vehicle owner, or any third party, unless the policy:
  - Expressly provides for that coverage during the relevant period of time, with or without a separate charge; or
  - Contains an amendment or endorsement to provide for such coverage, for which a separately state premium is charged; and
- The driver or the vehicle owner's personal automobile insurance policy shall not require the duty to defend or indemnify for the driver's activities in connection with the TNC, unless the policy:
  - Expressly provides for that coverage during the relevant period of time, with or without a separate charge; or
  - Contains an amendment or endorsement to provide that coverage, for which a separately stated premium is charged.

A personal automobile insurer may, at its discretion, offer an automobile insurance policy, or an amendment or endorsement to an existing policy that covers a private passenger vehicle, station wagon type vehicle, sport utility vehicle, or similar type of vehicle with an occupancy capacity of eight persons or less, while used in connection with a TNC's online-enabled application or platform only if the policy expressly provides for the coverage during the relevant time period specified, with or without a separate charge, unless the policy contains an amendment or an endorsement to provide that coverage, for which a separately stated premium may be charged. Exempts a private passenger automobile insurance policy from being required to provide primary or excess coverage during the period of time that covers the moment a driver

logs on to the TNC's online-enabled application or platform until the driver logs off such application or platform or until a passenger exits the vehicle, whichever is later.

Requires a TNC or its insurer to cooperate with any other insurers that involved in the claims coverage investigation to facilitate the exchange of information, including the provision of dates and times at which an accident occurred involving a driver as well as the precise times that the driver logged on and off the TNC's online-enabled application or platform. A TNC is required to maintain data and metadata sufficient to facilitate such cooperation while the driver is affiliated with the TNC up to three years after such affiliation has ended. A driver is required to carry proof of TNC coverage at all times during the driver's use of a vehicle in connection with a TNC and the driver is required to provide such proof to any party involved in an accident, and to a police officer, upon request. This legislation will take effect July 1, 2016.

## **ESTIMATED FISCAL IMPACT:**

### **NOT SIGNIFICANT**

#### Assumptions:

- This bill will create new insurance requirements for TNCs that operate within this state.
- Currently, TNCs such as Lyft and Uber require insurance packages alone or ancillary to the TNC driver's personal auto insurance coverage as prerequisite to driving for the TNC.
- Due to numerous unknown factors, including: the number of TNCs that will operate in the state, the number of drivers each TNC will employ, the amount of coverage that will be purchased by the TNC or driver or both to comply with this bill, the resulting premiums and difference in such premiums between the TNC insurance requirements and the requirements of current financial responsibility laws, an impact upon insurance premium taxes remitted to the state is not able to be quantified; however, any impact is assumed to be not significant.
- Based on information provided by the Department of Commerce and Insurance, it can review and approve TNC insurance filings at no additional cost.

## **IMPACT TO COMMERCE:**

### **NOT SIGNIFICANT**

#### Assumptions:

- Currently, TNCs such as Lyft and Uber require insurance packages alone or ancillary to the TNC driver's personal auto insurance coverage.
- Due to numerous unknown factors, including: the number of TNCs that will operate in the state, the number of drivers each TNC will employ, the amount of coverage that will be purchased by the TNC or driver or both to comply with this bill, the resulting premiums and the difference in such premiums between the TNC insurance

requirements and the requirements of current financial responsibility laws, an impact upon insurance premium taxes remitted to the state is not able to be quantified; however, any impact is assumed to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

/jdb